

# Cornstalk

*A Publication of the Nebraska Corn Board*

[www.nebraskacorn.org](http://www.nebraskacorn.org)

## Rising numbers fuel Nebraska's economy

There's more to ethanol production than simply reducing our country's dependence on foreign oil or making a clean burning, renewable fuel available to everyone. It's about diners and cafés, banks and grocery stores, churches and schools. It's about hardware stores, libraries and the city park.

"In my 35 years of working in economic development, I have not seen anything that has had a greater impact on rural communities than

the expansion of ethanol," said Donis Petersan, economist for the Nebraska Public Power District.

The impact of the ethanol industry has grown through the years, but 2007 is the first of a two-year growth spurt that will more than double ethanol production in the state. Last year, there were 12 operating plants in Nebraska. By mid-2007, that number reached 16 and by the end of 2008, it will be between 26 and 30 — and ethanol production

will be in the 2 billion gallon per year range. Corn demand for ethanol will surpass 700 million bushels.

"Ethanol's dividends can include new local markets for grain, new waves of investment in the local economy, new jobs, greater tax revenues and increased wealth for rural towns," reported "The Main Street Economist," a publication of the Federal Reserve Bank of Kansas City. In other words, an expanding ethanol industry can revitalize and sustain rural communities that just 18 months ago were struggling.

Petersan said sometimes the numbers are hard to fathom. In 2002, net farm income for all of Nebraska was around \$700 million. A \$1 per bushel increase in the price of corn last fall prompted by the expanding ethanol industry added \$1.3 billion in income to Nebraska farmers. "That's not just income for farmers," he said. "It's money that makes its way to all communities across the state as farmers spend those dollars. It's money spent at the local restaurant, car dealer or lumberyard. It's money that generates more economic activity."

### Local inputs, local jobs

Another perspective, Petersan said, is that an ethanol plant generally buys 70-80 percent of its inputs within a 50 mile radius of the plant. That's important because it's unusual. "If you talk about another kind of manufacturing plant, they are shipping in inputs and parts they use in the process, add value to them and then ship out the finished product," he said. "With ethanol, those inputs come from the local economy. That's one of the reasons ethanol has such a significant impact on a local economy."

Gov. Dave Heineman noted that the expansion of ethanol production is having "a dramatic and positive impact on our state economy." Plant openings create jobs in small communities, he said, and as more plants are completed and come online, rural Nebraska will see an incredible expansion in job creation.

After all, each new ethanol plant directly employs 40-50 people, and indirectly employs nearly three times that. In a town of a few hundred or few thousand people, that makes an incredible difference in the town's economic base and morale. It also makes waves across the state.

An analysis by Petersan showed that more than \$18 million in tax revenues were generated by the 12 plants operating in Nebraska last year. They also added more than \$1.3 billion in economic output to the state and contributed nearly \$100 million in household income. That, in turn, resulted in about \$40 million in retail sales spent by those households. For every plant that comes online, those numbers increase. By the end of next year, they will more than double.

"I don't know how else I can say it," Petersan said. "The growing ethanol industry has tremendous impacts on rural communities all across the state — and provides significant benefits to the state as a whole. It's really an incredible thing."







## FIELDnotes

by Jon Holzfaster, Chairman

When I visit with corn producers around the country about ethanol, they invariably talk about a nearby ethanol plant in a small town that most folks haven't heard of. You know the place: It's about 100 miles southwest of some larger town that hopefully rings a bell.

That's the way ethanol production is supposed to be. Right there in small town rural America where it provides good jobs, an increased tax base, new markets for corn and a great feed for livestock.

In this issue of Cornstalk, we take a look at the impact of a plant in Central City (you know the place, it's about 20 miles northeast of Grand Island) on the community and nearby livestock and corn producers. These tremendous benefits are repeated across Nebraska and the country every time construction begins on a new plant.

Sometimes it's hard to explain to folks who live in the city what an ethanol plant means to rural communities. Take Lincoln, for example. With a population of about 240,000, a new company with 40 new jobs is nice, but it isn't a make or break investment for the community. Madrid, Nebraska, though, has a population of 250. Imagine the impact of those same 40 jobs there. Thanks to ethanol, Madrid gets to find out. Its new ethanol plant began production there in July. And if I have done the math correctly, those 40 new jobs in Madrid could be compared to creating 38,400 jobs in Lincoln. Now that's something to write home about!

I'm fortunate, too, because Madrid is in the same county as our farm and feedyard. That means we have a new market for our corn and access to wet distillers grains in our feedyard rations and winter pasture supplement for several years — but having a plant closer will allow us to save on transportation costs.

Madrid, if you're wondering, is about 30 miles southeast of Ogallala. You know the place, right?



## Raising morale, increasing revenues

The U.S. BioEnergy ethanol plant at Central City wasn't the first the city tried to attract to the community of 2,900 people in north central Nebraska.

"It was our third effort," said Cliff Mesner, economic development director for the community. "We were thrilled when the original plant owner — Ron Fagen — chose Central City as the site for a 40 million gallon per year plant. We knew the impact it would have would be tremendous — and that proved true."

The plant began operations in 2004 and earlier this year completed an expansion that more than doubled its capacity, which now stands at nearly 100 million gallons of ethanol and 320,000 tons of distillers grains per year. U.S. BioEnergy bought the plant from Fagen in March 2006, just as the expansion was getting underway.



Main Street in Central City keeps a bit busier since the local ethanol plant opened. Good jobs and increased economic activity benefit everyone.

One of the first things Central City saw was an increase in sales tax collections, which had stood at about \$250,000 per year for some time. During construction, collections jumped to \$469,000 per year.



The U.S. BioEnergy ethanol plant in Central City recently completed an expansion, more than doubling its original capacity to nearly 100 million gallons and 320,000 tons of distillers grains. It originally opened in 2004 and has been supporting the community in a variety of ways ever since.

"Sales tax receipts went up dramatically since the plant started construction and have stayed up afterwards," said Chris Anderson, city administrator. "We've also seen a significant jump in utility revenues — the ethanol plant pays more than \$500,000 in utility bills to the city every year."

Mesner said without that revenue, dollars would have to be generated in other ways, including higher utility rates for everyone in town. "Rates won't go down because of the plant," he said, "but they won't go up as much because of it."

The plant employs 49 people full-time. Although only a few of those jobs were filled by people that moved to town, Anderson said the jobs created keep people from moving away because they can't find jobs.

Add to that all the other economic activity — trucks, which need drivers and maintenance; cattle producers, who can expand and create jobs with high-quality and cost-effective distillers grains, and higher corn prices, which allow farmers to buy cars and trucks, fix up their houses and eat in town more often. "All of this generates economic activity," Anderson said. "It keeps businesses viable and open."

Most importantly, Anderson said, it gave a tremendous morale boost to the town. "We'd had some setbacks, with companies leaving. To have this success made everybody feel good. Morale is important," he said, "it changes your perspective."

The ethanol plant has also been generous, Mesner said. In fact, a fundraiser was held with the first load of corn back in 2004 — corn that was donated and the value matched by the plant, resulting in a \$23,000 donation for the town's child development center.

"It has also donated playground equipment, scoreboards for ball diamonds and last year gave a \$1 million donation to the city that was instrumental in recruiting Wardcraft Homes," he said. That created another 100 jobs.

"I don't think I can overstate the benefits the plant has provided to the town," Anderson concluded.

## Changing rations, lowering costs

When livestock producers see an ethanol plant rising nearby, it's a safe bet that many will modify what they feed their livestock once the plant is up and running.



Livestock producers around ethanol plants typically change their rations when the plant opens and begin including distillers grains, which cattle find quite palatable.

When the ethanol plant in Central City opened — and then more than doubled in capacity with an addition that came online this year — livestock producers did just that. Some jumped on board right away, taking as much of the modified wet distillers

grains the plant produced as they could feed, while others eased into it.

"The ethanol plant has changed how we feed cattle," said Chris Hayes of Hayes Feedyard near Osceola.

Still, Hayes said, he wasn't the first in line to take distillers grains from the Central City plant when it opened. "We waited a while," he said. "In fact, we've been taking wet gluten feed from the plant in Columbus longer than we've been taking distillers grains from Central City."

Now, Hayes said, he wouldn't change the ration he uses at his feedyard, which has a capacity of 6,000-7,000 head. "The cattle love it and their performance is good. We'd hate to go back to the old way," he said.

Hayes, who was asked to join the local board of directors for the Central City plant this past spring, said he typically feeds 20 percent distillers grains, 20 percent gluten feed and the balance as corn silage, dry hay, dry corn and a vitamin/mineral supplement.

"The gluten feed and distillers grains seem to be complementary," he said.

Gary Bader of Bader & Sons Feedyard near Palmer, said adding distillers grains has made it easy to keep cattle on feed. "Cattle like it and it's easy to keep them eating," he said. "That means they keep gaining."



Distillers grains from the ethanol plant in Central City make their way to feedlots and cow-calf operators, who find it is an excellent feed when mixed with corn, gluten feed, dry grass or cornstalks.

## Opening markets, providing choices

It's 18 miles from Al and Darlene Klute's farm near Hampton to the ethanol plant in Central City. It's about one mile to the local co-op in Hampton and seven miles to co-ops in Aurora and Bradshaw.

"Darlene knows because she's the one that hauls the grain," Al said. It's also four different markets where the Klute's can sell the grain they don't feed to their own cattle — and things will change more in the next year as more plants come online.

"The ethanol plant has to bid about 12-13 cents over the local elevator to make it worth the haul," Al said. "You have to watch your basis."

The big thing, he said, is the ethanol plant provides another competitive market. Once it opened, corn marketing opportunities changed. He can sell corn to the local co-op and deliver it to the ethanol plant in Central City, sell to the plant direct or to the local co-op or nearby co-ops. It all depends on who is offering the best price when he is looking to sell, which is usually done in advance on contract.

Fall delivery doesn't work as well to the ethanol plant — the 18 miles each way takes too long during harvest.

In either case, he said, the co-ops turn around and sell some of their corn to the ethanol plant in Central City or York or one of the other plants

springing up in central Nebraska.

"Corn producers in central Nebraska as a whole are in a good position," he said.

Dick Brown, who farms right across the railroad tracks from the Central City ethanol plant, agreed. "Ethanol alleviates a lot of shipping and freight concerns," he said. "In year's past, it has been tough getting railroad cars in a timely manner. Having a



A steady stream of corn trucks are necessary for the Central City ethanol plant. Trucks add to the local economy since they require fuel, maintenance and a driver.

Bader said he's been feeding distillers grains from the Central City plant since it first opened. Bader & Sons operates a 12,000 head capacity feedlot. It also has about 1,200 cows as part of a cow-calf operation.

Bader said he mixes 50 percent distillers grains (on an as fed basis) with soybean bales, soybean stubble or corn stalks, plus some dry corn and a vitamin/mineral supplement. "Soybean stubble is about half the price of alfalfa," he said, "and it adds to the profits of farmers."

Bader said he figured using distillers grains was saving him about 30 percent over feeding more corn. Hayes said without it, his cost of gain would go up at least 5 cents/lb.

Bader and Hayes agreed that using distillers grains was pretty simple. "Trucks bring it in and it's ready to feed," Hayes said. "We don't have to process it, put it in a bin, steam flake it or anything. We just add it to the mixer."

Bader said for his cow-calf operation, he feeds distillers grains on an as-needed basis. For example, he said, when cows go from corn stalks to grass in April, he may dump distillers grains on top of the grass if it's dry.

"It's an excellent feed when mixed with the dry grass," he said.



local ethanol plant means having a large end user right here. It's a big plus."

Brown, who was named to the local board of directors of the Central City plant this past spring, said there have been a lot of estimates what a local ethanol plant does for corn prices-with most saying it adds 10 cents/bu. Now, though, with ethanol expanding throughout the state and country, he said, the benefits are clearly more than that.

"Without ethanol we'd be buried in corn again and be suffering sub \$2 prices. That would make our marketplace our government," he said.

Al Klute said the opening of the ethanol plant in Fairmont means some neighbors three or four miles away are selling some of their corn there instead of to Central City. Once the plant in Albion opens, corn producers on the north side of Central City will have another marketing option, too.

In the spring, the new plant on the edge of Aurora will also start setting contracts. That means another market for the Klute's and others nearby.

"We're sitting in one of the better places for corn markets," Al said. "It's getting to the point where buyers will come to your farm and truck it for you. All you have to do is load it."





The **CORner** Office

by Don Hutchens,  
Executive Director

A recent headline in *USA Today* blared “Ranchers, farmers battle over corn”. It referred to the ongoing debate over fuel versus feed as “the biggest shoot-‘em-ups between growers and ranchers since the 1800’s, when farmers fenced in the open range. Rather than firearms, the weapons of choice this time are lobbyists and dueling economic studies.”

It’s true that some of our national commodity and livestock organizations have been less than congenial in recent months. In Nebraska, however, I’m proud of our efforts in the corn and livestock industries to work together, define the issues and work toward solutions. Never before have the cattle and corn industries in this state spent more time trying to find solutions — and trying to convince our national organizations to cool their jets on wasted negative rhetoric.

If I have heard it once this summer I have heard it a thousand times: “The best cure for high prices is high prices and the best cure for low prices is low prices.” I also hear “the market will adjust,” which it already has. Corn producers have helped out on the supply and demand balance (while hoping to have more product to sell at higher prices) by planting record acres of corn. In addition, corn producers are pouring thousands of dollars into distillers grains research and foreign market development programs on behalf of the livestock industry.

For too many years corn farmers had to go to sleep at night hoping that someone would buy their product or that the federal government would come through and help them stay in business one more year. Corn prices have been too low for too long, and hopefully we have hit a new level that everyone can adjust to. From my perspective a rising tide raises all ships, and both the Nebraska corn producers and cattle industry can find advantages like we have never seen before. It will, however, require leadership, vision and investing in our own future.

# Kernels of Truth



Bob Dickey

## Dickey elected first vice president of NCGA

Nebraska Corn Board director Bob Dickey of Laurel has been elected first vice president of the National Corn Growers Association. His election starts a three-year process of NCGA leadership, with the first year spent as vice-president, the second year as NCGA president, and the third and final year as chairman of the NCGA Corn Board. Dickey has been a member of the Nebraska Corn Board for more than 15 years, where he has served as secretary, treasurer, vice chairman and chairman.

## Nebraska Corn Board approves budget

After making several tough decisions as to what to fund and what to cut, the Nebraska Corn Board has set its budget for the 2007-08 fiscal year. Chairman Jon Holzfaster said even though the Board expected revenues to increase about \$200,000 from the year before, more than \$550,000 had to be cut from funding requests that were submitted to the Board. Holzfaster said the board reduced significantly the level of funding for international corn export promotions — primarily because there is such a growing demand to add value to corn within Nebraska by supporting the ethanol and livestock industries. For more information on the 2007-2008 budget, go to [www.nebraskacorn.org](http://www.nebraskacorn.org) and click on the About Us and Funding links.



Dave Nielsen



Tim Scheer

## Two new directors appointed to Nebraska Corn Board

Two new directors have been appointed to the Nebraska Corn Board. They are Dave Nielsen of Lincoln, representing District 1, and Tim Scheer of St. Paul, representing District 5. In addition, Bob Dickey of Laurel was reappointed to represent District 4.

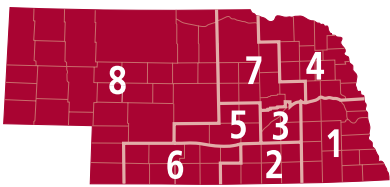
## Distillers Grains Usage Survey provides good benchmark

The main reason about one-third of Midwestern cattle and hog producers give for not taking advantage of ethanol co-products like distillers grains is simply a lack of availability, something that will change as more ethanol plants come online, said Kelly Brunkhorst, ag promotion coordinator for the Nebraska Corn Board. “Concerns about nutritional value, shelf life, transportation or simply a lack of knowledge on ethanol co-products like distillers grains is relatively small — all less than 10 percent,” Brunkhorst said. He made those comments in response to the recent Ethanol Co-Products Used for Livestock Feed survey. The survey was conducted by the National Agricultural Statistics Service, and co-funded by the Nebraska Corn Board and National Corn Growers Association. The survey, the most extensive of its kind, will provide a good baseline to compare ethanol co-product feeding trends in the future, Brunkhorst said. To see the survey results, go to [nass.usda.gov](http://nass.usda.gov).

## Beef Co-Products Manual is updated

The Nebraska Corn Board, working with University of Nebraska animal scientists, has updated its manual on the feeding of distillers grains and corn gluten to cattle. Entitled *Utilization of Corn Co-Products in the Beef Industry*, the manual is available for download at [www.nebraskacorn.org](http://www.nebraskacorn.org) or by contacting the Nebraska Corn Board at 800-632-6761.

[www.nebraskacorn.org](http://www.nebraskacorn.org)



Nebraska Corn Board members represent the eight districts indicated on the map and are appointed by the Governor. One at-large member is elected by the other Board members.



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